



# MONTANA-DAKOTA

UTILITIES CO

A Division of MDU Resources Group, Inc.

400 North Fourth Street  
Bismarck, ND 58501  
(701) 222-7900

October 2, 2007

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities  
Commission  
State Capitol Building  
500 East Capitol  
Pierre, SD 57501

Re: Contract with Deviation  
Merillat Corporation  
Docket No. NG07-\_\_\_

Dear Ms. Van Gerpen:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith electronically submits for Commission approval Section No. 4, 6<sup>th</sup> Revised Sheet No. 1 (Exhibit A) and the underlying Amendment No. 4 dated September 6<sup>th</sup>, 2007 to the current Agreement between Montana-Dakota and Merillat Corporation (Merillat). The existing agreement with Merillat was effective on November 1, 2003 pursuant to the South Dakota Public Utilities Commission's Order issued on October 28, 2003 (Docket No. NG03-005) as subsequently amended to extend the term of the agreement in Docket Nos. NG04-006, NG05-013 and NG06-005. The attached Amendment No. 4 provides for service to continue to Merillat for a one-year period ending October 31, 2008 under the terms of the original contract with the exceptions of the following terms as stated below:

- Term: Deliveries and charges shall commence on November 1, 2007 and expire on October 31, 2008, unless amended by the parties in writing.
- Pipeline Charges: Merillat agrees to pay Montana-Dakota the Commission authorized pipeline related charges as set forth in the Company's Purchased Gas Cost Adjustment Rate 88 as restated to reflect an allocation of demand charges at a 75% load factor equivalent basis.

This allocation of pipeline demand charges represents an increase of approximately 11 cents from the current pipeline charges based on a 100% load factor allocation. The

increase is necessary to reflect Merillat's current natural gas requirements, and the tightening of pipeline capacity in this region. With a 75% load factor allocation, the pipeline charge will increase to \$.773 per dk based on currently effective pipeline charges. The distribution delivery charge remains the same.

Merillat continues to be a large volume, high load factor customer, and it is in the best interest of the other customers for Montana-Dakota to continue the agreement which will satisfy Merillat's request for firm sales gas service at a competitive price that allows Montana-Dakota to continue to provide natural gas service to this facility.

The existing firm customers will continue to benefit under this agreement through Merillat's contribution toward transmission pipeline demand costs and distribution cost recovery, which would not exist if Merillat were to utilize an alternate fuel.

Attached as Exhibit C is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26.

Included herein is a second set of the affected tariffs on which Montana-Dakota has indicated the revisions requested by lining through the existing language which the Company proposes to delete and highlighting the new language proposed.

The Company will comply with ARSD 20:10:13:18 by posting the Notice shown in Exhibit D in a conspicuous place in each business office in its affected electric service territory in South Dakota for at least 30 days before the change becomes effective.

Please refer all inquires regarding this filing to:

Mr. Donald R. Ball  
Vice President – Regulatory Affairs  
Montana-Dakota Utilities Co.  
400 North Fourth Street  
Bismarck, ND 58501

Also, please send copies of all written inquires, correspondence and pleadings to:

Mr. Daniel S. Kuntz  
Associate General Counsel  
MDU Resources Group, Inc.  
P. O. Box 5650  
Bismarck, ND 58506-5650

Montana-Dakota respectfully requests approval of this Agreement by November 1, 2007.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,

A handwritten signature in cursive script that reads "Donald R. Ball".

Donald R. Ball  
Vice President-Regulatory Affairs

Attachments

cc: D. Gerdes

**Exhibit A**



**Montana-Dakota Utilities Co.**

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

**State of South Dakota  
Gas Rate Schedule – SDPUC Volume No. 2**

Section No. 4  
6<sup>th</sup> Revised Sheet No. 1  
Canceling 5<sup>th</sup> Revised Sheet No. 1

**LIST OF GAS CONTRACTS WITH DEVIATIONS**

Page 1 of 1

<u>Name and Location of Customer</u>	<u>Type or Class of Service</u>	<u>Execution and Expiration Dates</u>	<u>Most Comparable Regular Tariff</u>		
			<u>Schedule No.</u>	<u>Contract Differences</u>	
Morris, Inc.	Firm Commercial	05-10-01 To 11-16-11	Rate 76	Rate	
Merillat Corporation	Firm Commercial	11-01-07 To 10-31-08	Rate 70	Rate	C C

**Date Filed:** October 2, 2007

**Effective Date:**

**Issued By:** Donald R. Ball  
Vice President-Regulatory Affairs

**Docket No.:**



**Montana-Dakota Utilities Co.**  
 A Division of MDU Resources Group, Inc.  
 400 N 4<sup>th</sup> Street  
 Bismarck, ND 58501

**State of South Dakota  
 Gas Rate Schedule – SDPUC Volume No. 2**

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Morris, Inc.	Firm Commercial	05-10-01 To 11-16-11	Rate 76	Rate
Merillat Corporation	Firm Commercial	11-01-06 <del>7</del> To 10-31-07 <del>8</del>	Rate 70	Rate

**Date Filed:**

**Effective Date:**

**Issued By:** Donald R. Ball  
 Vice President-Regulatory Affairs

**Docket No.:**

ATTACHMENT  
AMENDMENT NO. 4  
FIRM GAS SERVICE AGREEMENT

*September* THIS AMENDMENT to FIRM GAS SERVICE AGREEMENT, made in duplicate this 6<sup>th</sup> day of ~~August~~ 2007, by and between MERILLAT ~~CORPORATION~~ <sup>LP</sup> located in Rapid City, SD, hereinafter referred to as "Customer", and MONTANA-DAKOTA UTILITIES CO., a division of MDU Resources Group, Inc., 400 North Fourth Street, Bismarck, North Dakota, hereinafter referred to as "Company",

WITNESSETH:

WHEREAS, as of October 2, 2003 Customer and Company entered into a Firm Gas Service Agreement whereby Company undertook to provide firm natural gas service to Customer's facility in Rapid City, SD and:

WHEREAS, said Agreement was amended by Amendment No. 3 to Firm Gas Service Agreement dated June 15, 2006 ("Amendment No. 3"); and

WHEREAS, Customer and Company now mutually desire to further modify said Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained in said Agreement and its Exhibit and herein, the parties agree as follows:

1. To delete Amendment No. 3 and section 2 of Firm Gas Service Agreement in their entirety and insert in lieu thereof a new section 2 to read as follows:

"2. TERM: Deliveries and charges shall commence on November 1, 2007 and expire on October 31, 2008, unless amended by the parties in writing.

2. To delete Section 3 of Firm Gas Service Agreement in their entirety and insert in lieu thereof a new section 3 to read as follows:

"3. PIPELINE CHARGES: Customer agrees to pay Company the Commission authorized pipeline related charges as set forth in the Company's Purchased Gas Cost Adjustment Rate 88 as restated to reflect an allocation of demand charges at a 75% load factor equivalent basis.

3. All remaining terms and conditions of Firm Gas Service Agreement, except as specifically amended herein, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed as of the day and year first above written.

<sup>LP</sup>  
MERILLAT CORPORATION

By: W. J. Potter

Title: JAY POTTER, CFO

MONTANA-DAKOTA UTILITIES CO.,  
A division of MDU Resources Group Inc.

By: Frank Morehouse

Frank Morehouse  
Vice President of Operations

Report of Tariff Schedule Change

NAME OF UTILITY: Montana-Dakota Utilities Co.  
 ADDRESS: 400 North Fourth Street  
 Bismarck, ND 58501

Section No.	Class of Service	New Sheet No.
4	Contracts with Deviations	6th Revised Sheet No. 1

Change: Service Agreement - term amendment  
 (State part of tariff schedule affected by change, such as: Applicability, availability, rates, etc.)

Reason for Change Existing contract expires 10/31/07

Present Rates .....  
 Proposed Rates .....  
 Approximate annual reduction in revenue ..... N/A  
 Approximate annual increase in revenue ..... N/A

Points Affected	Estimated Number of Customers Whose Cost of Service will be:					
	Reduced		Increased		Unchanged	
	# of Customers	Amount in \$	# of Customers	Amount in \$	# of Customers	Amount in \$
1	N/A	N/A	N/A	N/A	N/A	N/A

Include Statement of Facts, expert opinions, documents and exhibits supporting the change requested.

Received: \_\_\_\_\_

Montana-Dakota Utilities Co.  
 (Reporting Utility)

By: \_\_\_\_\_  
 Executive Director  
 South Dakota  
 Public Utilities Commission

By: Donald R. Ball  
 Vice President- Regulatory Affairs  
 (Name and Title)

**Exhibit D**

**On October 2, 2007 Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., filed with the South Dakota Public Utilities Commission a revised List of Gas Contracts with Deviations which affects one of Montana-Dakota Utilities Co.'s customers in South Dakota. The revised rate schedule and South Dakota rules and regulations are available in this office for inspection. Please inquire at cashier's desk.**